



Independent Peer Review of Municipal Utility Feasibility Analysis

**Chula Vista City Council
Meeting and Workshop**

May 19, 2004



High-Level Fatal Flaw Analysis

- Reasonableness of Assumptions
- Review of Methodology
- General Assessment of Conclusions and Recommendations
- Suggested Improvements

R.W. Beck Conclusions

- **Reasonable Assumptions (except as noted)**
- **Methodology Consistent with Industry Practice**
- **Reasonable Conclusions - Go/No-Go Recommendations**
- **Suggested Improvements won't likely affect Recommendations**

General Comments

- **Discount Rate High for Public Agency**
- **Exit Fees Appear High in long-run**
- **Optimistic Schedules for Implementation**
- **Power Plant Cost below expectations**

Community Choice Aggregation (CCA)

- Participation assumption is high
- Power supply cost assumption creates divergent cost forecasts
- Power supply cost sensitivity is desirable

Greenfield Development (GD)

- **Developers pay some cost (equal to SDG&E)**
- **Reliability concerns of spot systems**
- **Long lead time before economic**
- **Need for CCA or MDU in combination with GD**

Municipal Distribution Utility (MDU)

- **Cost of Acquisition Appears low**
- **Fringe benefits appear low for public agency**
- **Human resource requirements understated**

Continue to Watch/Influence

- Pending Legislation (Exit Fees and GD)
- CPUC rulings (CCA and Exit Fees)